

the Owners, the identity of the initial officers of the Association as well as a budget for the first year of operation of the Association. At the first meeting of the Association, Declarant shall fund the Reserve Fund in an amount equal to Five Thousand Dollars (\$5,000). No later than thirty (30) days following the adoption of a budget for the first year of operation of the Association, each Owner shall pay its Proportionate Share of the amount required to fund all of the costs in connection with such budget over the following year. The Reserve Fund shall continue to maintain a minimum balance of Five Thousand Dollars (\$5,000), which minimum balance shall be intended to be utilized to pay unexpected costs incurred by the Association and/or any costs required to be funded due to a default of any Owner in making a payment required hereunder. The funds deposited in the Reserve Fund shall be used solely for the costs and expenses of carrying out the provisions of this Declaration.

7.2.2 In addition to the minimum reserve balance contemplated by Section 7.2.1, above, the Association shall also establish and maintain reserves for the costs of all work which does not recur on an annual basis. Each year the Association shall estimate (or obtain third party estimates for) the cost of the non-recurring work required to be performed by the Association within the next five (5) years. In no case shall the quarterly contribution to the reserves of the Association be less than the sum of all costs anticipated to be incurred by the Association during the next year, and a portion of the estimated cost of performing all non-recurring work the Association is required to perform over the succeeding five (5) years sufficient to amortize and collect such costs in full before they become payable, unless the existing surplus or reserve balance of the Association exceeds the amount of such costs, or (b) .

7.3 Budget. On or before February 1 of each year after its formation, the President of the Association shall deliver to the Owner of each Parcel a written budget of the estimated expenditures and cash requirements for carrying out the provisions of this Declaration for the following year, and the contributions which will be required of each Owner on each Contribution Due Date.

7.3.1 On such date, the President of the Association shall also provide to the Owners a report showing the amount on deposit in the Reserve Fund, the income and expenses of the Reserve Fund for the previous year, and the amount, if any, of any delinquency in payments owing to the Reserve Fund by any Owner.

7.3.2 The budget submitted by the President of the Association will become the budget of the Association for the following year, unless such budget is disapproved in writing on or before the first day of March of each such year by a writing delivered to the President of the Association executed by the Owners of three (3) of the four (4) Parcels. If such budget is disapproved by a majority of the Owners of the Parcels, the President of the Association shall call a meeting of the Association during the month of March for the purpose of formulating and approving a new budget by a vote of the majority Owners of the Parcels. If the Owners of a majority of the Parcels fail to agree upon a new budget, then the last approved budget of the Association shall control until a new budget is so adopted. Notwithstanding the disapproval of an annual budget, in no case will the annual contribution to the Reserve Fund be less than the amounts contemplated by Section 7.2.2, above.

7.3.3 Except in the case of an emergency, the Association shall have no authority to expend funds of the Association except in accordance with the budget of the Association, plus or minus a five percent (5%) variance for each line item thereof, without the prior written consent of a majority of the Owners.

7.4 Regular Contributions. Each Owner shall be required to contribute, on each Contribution Due Date, the amount specified as the required contributions for that Contribution Due Date in the budget of the Association for the then-current year (which in no event shall be less than \$100 per owner per quarter). The obligation to make contributions to the Reserve Fund pursuant to this Section 7 shall run with the land. Subsequent owners of each Parcel shall be liable for any deficiencies in the contributions owing to the Reserve Fund by their predecessors in interest.

7.5 Books and Records. The Association shall keep books and accounts in sufficient detail to permit prompt determination of the Maintenance Costs and the source and use of funds in the trust account. Such books and records shall be available for inspection and copying by any Owner upon reasonable prior notice to the President of the Association.

7.6 Enforcement. The Association and any Owner shall have the right to enforce contributions to the Reserve Fund by the Owners in the manner provided by Section 9, below. In addition, the City shall have the right to initiate a civil action against the Association and all of the Owners for the purpose of enforcing the obligations of the Association and Owners hereunder to maintain Jorgensen Lane in compliance with the City Street Standards.

8 RESOLUTION OF DISPUTES

8.1 Arbitration. If the Owners are unable to resolve by a majority vote any dispute or controversy among themselves with respect to any matter requiring the approval of the Owners under this Declaration, then any Owner shall be entitled to submit such dispute for resolution by arbitration after first giving ten (10) days' prior written notice to each other Owner of his or her intention to invoke the arbitration provisions of this Section 8 if the dispute is not resolved within such ten (10) day period.

8.1.1 If the dispute involves a dispute as to whether the Owners have complied with the Fire Hydrant Testing Obligation or the Road Maintenance Obligation, then the dispute shall be submitted to the Director of the Department of Public Works of the City of Santa Barbara, California for resolution. The decision of such Director, or of his or her designated representative, shall be binding on each of the Owners and may be enforced in any court of competent jurisdiction.

8.1.2 If the dispute involves any other matter, or if the Director of the Department of Public Works of the City of Santa Barbara fails or refuses to resolve any dispute submitted to it as provided above, then such dispute shall be submitted to arbitration before a retired judge in accordance with the then-existing rules of JAMS/Endispute or a similar private alternative dispute resolution company selected by the President of the Association. Any award entered in such proceedings may be enforced in any court of competent jurisdiction.

8.2 Costs and Expenses. The costs and expenses incurred in any arbitration proceedings initiated pursuant to this Section 8 initially shall be borne by the Owner initiating the arbitration proceeding unless a majority of the Owners agree that such costs and expenses shall constitute a Maintenance Cost payable from the Reserve Fund. However, any person acting as an arbitrator under this Declaration (including the presiding judge of the Superior Court of Santa Barbara County, California) shall be entitled to award costs and fees to any Owner who participates in such proceedings, and to require that any such awards be paid either from the Reserve Fund or by an individual Owner.

9 TRUST FUND

9.1 Responsible Party. The President of the Association shall have primary responsibility for (a) compliance with the Fire Hydrant Testing Obligation and the Road maintenance Obligation, (b) coordinating and supervising the care, maintenance and repair of the Shared Improvements, (c) the collection of contributions to the Reserve Fund and the payment of Maintenance Costs from the individual Owners, and (d) the disbursements of funds for the purpose of paying Maintenance Costs.

9.2 Trust Account. The President of the Association shall establish and maintain an interest-bearing trust account for the purpose of holding the funds collected from or paid by each Owner, pursuant to the provisions of this Declaration. All payments required of any Owner hereunder shall be made payable to

and deposited in such trust account. All Maintenance Costs shall be paid from the funds drawn on such account upon the signature of the President of the Association or his or her duly authorized representative. Any costs and expenses incurred in opening and maintaining such trust account shall constitute a Maintenance Cost. No part of the Reserve Fund may be devoted to any matter other than the payment of the costs and expenses contemplated hereby. Each Owner shall be deemed to bear its Proportionate Share of the tax liability associated with any interest earned on the Reserve Fund, even though such interest shall be retained in the Reserve Fund.

10 RIGHTS OF MORTGAGEES, OWNERS AND THIRD PARTIES

10.1 Amendments. No amendment to this Declaration shall affect the rights of the beneficiary of any mortgage or deed of trust made in good faith and for value and recorded prior to the recordation of any such amendment, unless such beneficiary shall either join in the execution of such amendment or approve the same in writing as a part of such amendment.

10.2 Validity of Lien. No breach of any provision of this Declaration shall invalidate the lien of any mortgage or deed of trust made in good faith and for value. However, all of the provisions of this Declaration shall be binding upon any Owner whose title is derived through a trustee's sale, foreclosure proceedings or any deed in lieu of foreclosure.

10.3 Exculpation. Should any lender acquire title to a Parcel through judicial or other foreclosure proceedings or by deed in lieu of foreclosure, then such lender shall not be liable for delinquent Maintenance Costs or contributions to the Reserve Fund accruing prior to the date of such acquisition of title.

10.4 Continuing Access. No right granted to any person under this Declaration shall be construed to impair, and no remedy exercised under this Declaration shall have the effect of denying, continuing access by an Owner to his or her Parcel.

10.5 Certain Obligations. Nothing in this Declaration shall be construed to relieve any Owner from legal liability for the costs of repairs to any Shared Improvement necessitated by (a) the negligent actions or conduct of such Owner, or (b) damage caused to such Shared Improvements by construction or off-road vehicles owned, leased or otherwise used by or for the benefit of such Owner ("Owner Attributable Damage"). Each Owner shall promptly repair at its sole cost and expense any and all Owner Attributable Damage to any Shared Improvements caused by that Owner, or its agents, invitees or guests.

10.6 Subordination of Secured Lenders. Declarant agrees to cause such Declarant's lender, if any, holding a beneficial interest in a deed of trust encumbering the Declarant's Parcel (a "Secured Lender") to subordinate the lien of its deed of trust to this Declaration. Such subordination shall be accomplished by each Secured Lender's execution of a Consent of Lienholder and Subordination of Lien in the form attached hereto as Exhibit D prior to or promptly following the recordation of this Declaration.

11 INDEMNIFICATION

11.1 The Owners, each limited to several liability for its Proportionate Share of the aggregate liability, if any, for the Property, hereby indemnify, defend and hold harmless the officers of the Association, any Advancing Party and their respective agents and employees from and against any and all loss, liability, damage, cost or expense (including, but not limited to, legal fees and expenses incurred in the defense of any claim, suit or legal proceeding or pursuit of the collection of any Maintenance Cost or Enforcement Cost) arising from acts or omissions concerning the activities undertaken in connection with the Association or this Declaration, so long as the acts or omissions do not constitute gross negligence and were made in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Property or the Owners as a whole.

11.2 The costs and expenses of such indemnification shall be charged to the Owner of each Parcel as a portion of the Maintenance Costs.

11.3 This Section 11 does not alter, limit or reduce the indemnification commitment of each Owner to the City as specified in Section 4.5.

12 INSURANCE

The Association shall maintain such public liability and property damage insurance as is determined on an annual basis by a majority vote of the Owners. Each Owner, the Association, the City, and the officers of the Association shall be named as insureds, or additional insureds, on such policies of insurance. The premiums for such insurance shall be borne by the Owners as a portion of the Maintenance Costs.

13 GENERAL PROVISIONS

13.1 Enforcement Costs. In any action or proceeding to construe or enforce the provisions of this Declaration, the Association, the enforcing Owner, the City, the Advancing Party or any other Owner or party prevailing in such proceeding shall be entitled to recover all court costs and reasonable attorneys' fees, to be fixed by the party determining the dispute and taxed as part of the judgment therein.

13.2 Term of Declaration. This Declaration shall run with the land and shall continue in full force and effect for a period of seventy-five (75) years from the date on which this Declaration is recorded in the Official Records of Santa Barbara County, California. Thereafter, this Declaration shall automatically be renewed and continued for successive terms of ten (10) years each unless and until terminated by an instrument executed by all of the Owners and recorded in the Official Records of Santa Barbara County, California.

13.3 Amendment. Any instrument amending or revoking this Declaration shall make appropriate reference to this Declaration and any prior amendments thereto, and shall be recorded in the Official Records of Santa Barbara County, California. This Declaration may be amended by the vote or written consent of a majority of the Owners, except that:

13.3.1 This Declaration may not be terminated or revoked, or amended in a manner that is adverse to the rights of the Owner of a Parcel in a manner which treats that Owner or his or her Parcel differently from any other Owner or Parcel, except upon the approval of all of the Owners of record of the Property, as evidenced by the signature of all Owners on the instrument revoking, amending or terminating this Declaration;

13.3.2 No amendment may limit or otherwise impair the right of an Owner to use and enjoy any easement appurtenant to such Owner's Parcel created pursuant to this Declaration without the written consent of the Owner of such Parcel; and

13.3.3 No amendment which would have the affect of modifying the Fire Hydrant Testing Obligation or the Road Maintenance Obligation, or which would affect the obligation or undertakings of the Owners vis-à-vis the City as expressed in this Declaration, may be made or have any force or affect whatsoever unless such amendment receives the prior written consent of the Community Development Director of the City thereto.

13.4 Notices. Any notice permitted or required under this Declaration shall be deemed to have been given (a) when personally delivered, or (b) when posted on the main entrance of an occupied residence situated on a Parcel, or (c) on the second day after the date on which mailed by registered or certified mail,

addressed to the party for whom intended at the address given by such party to the Santa Barbara County Tax Collector for mailing of tax notices pertaining to such Owner's Parcel.

13.5 No Waiver. Failure by the Association, the City or any Owner to enforce any provision of this Declaration shall in no event be deemed a waiver of the right to do so at a later time.

13.6 Binding Effect. This Declaration shall be binding upon, and shall be a burden on and inure to the benefit of, not only the current Owner of each Parcel but also their respective heirs, executors, guardians, personal representatives, successors and assigns. All covenants contained in this Declaration are intended as, and are declared to be, covenants running with the land. This Declaration shall also be binding upon any tenants and other occupants of any Parcel.

13.7 Additional Documents. The parties agree to execute such additional documents as may be reasonable and necessary to carry out the provisions of this Declaration.

13.8 Complete Agreement. This Declaration contains the entire agreement between the parties with respect to the subject matters contained in this Declaration.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this Declaration on the date(s) set forth next to our respective name.

Jorgensen Ranch, LLC,
a California limited liability company

By: _____
Richard L. Ridgway, Manager

Acknowledged:

The City of Santa Barbara

By: _____
Name:
Title:

APPROVED AS TO CONTENT:

Director of Community Development

APPROVED AS TO FORM:
City Attorney

City Attorney

STATE OF CALIFORNIA

COUNTY OF SANTA BARBARA

On _____, before me, _____ (here insert name and title of the officer), personally appeared **Richard L. Ridgway**, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature (Seal)

01/15/07

EXHIBIT A

CITY STREET STANDARDS

EXHIBIT B

FIRE HYDRANT TESTING STANDARDS

The hydrants must flow at 750 gallons per minute at a 20-psi residual pressure.

EXHIBIT C

DEPICTION OF JORGENSEN LANE AND MOUNTAIN DRIVE SEGMENT

EXHIBIT D

DEPICTION OF DRAINAGE CHANNEL

EXHIBIT E
CONSENT OF LIENHOLDER

AND SUBORDINATION OF LIEN

The undersigned, being the beneficiary of that certain Deed of Trust recorded the ____ day of _____, 200_ as Instrument No. _____ of Official Records of Santa Barbara County, hereby consents to all of the provisions contained in the foregoing Declaration and agrees that the lien of its Deed of Trust shall be junior and subordinate to said Declaration and shall be subject to all of the provisions thereof, excepting only the provisions regarding the payment of money or the creation of lien rights, to which the lien of this Deed of Trust shall not be subject.

EXECUTED on this ____ day of _____, 200_, at _____, State of California.

LIENHOLDER:

By
(Name)

(Title)

ACKNOWLEDGMENT

STATE OF

COUNTY OF

On _____, before me, _____ (here insert name and title of the officer), personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature (Seal)